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25th May 2018

The National Stock Exchange of India Ltd
Exchange Plaza
Bandra-Kurla Complex,
Bandra (E), Mumbai – 400051.

Sub: Q4 FY18-Earnings Conference Call Transcript

Dear Sir/Madam,

This has reference to our letter dated 16th May 2018 intimating the details of Investor/Analyst call on the Audited Financial Results for the quarter and year ended 31st March 2018 scheduled on 21st May 2018.

In this regard, we are enclosing herewith the transcript of Conference call hosted on 21st May 2018. The same is also available in the Company's website www.redingtonindia.com.

Kindly acknowledge the receipt of our communication.

Thanking you,

Very truly yours,

M. Muthukumarasamy
Company Secretary.

Cc : BSE Limited
Floor 25, Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001

Redington (India) Ltd

Q4 FY 2018 Results

Conference Call

May 21, 2018

MANAGEMENT	**:**	**MR. RAJ SHANKAR – MANAGING DIRECTOR – REDINGTON (INDIA) LTD** **MR. S. V. KRISHNAN – CHIEF FINANCIAL OFFICER - REDINGTON (INDIA) LTD** **MR. S. JAYARAMAN – VICE PRESIDENT, TREASURY – REDINGTON (INDIA) LTD** **MS. SOWMIYA M – MANAGER, INVESTOR RELATIONS – REDINGTON (INDIA) LTD**

ANALYST	**:**	**MR. PRANAV KSHATRIYA – EDELWEISS SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Redington (India) Limited Q4 FY18 Earnings Conference call hosted by Edelweiss Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pranav Kshatriya from Edelweiss Securities Limited. Thank you and over to you, sir.

Pranav Kshatriya: Thanks Stanford. Good evening, everyone. On behalf of Edelweiss let me welcome you to Redington Q4 FY18 earnings call. We have with us the Management of Redington headed by Mr. Raj Shankar, along with the other senior members of the Management team. Without further ado I will hand over the call to Mr. Raj Shankar to start the proceedings. Thank you.

Raj Shankar: Thank you, Pranav. Thanks to everyone who has joined us on the call today. I will quickly go over the results for the quarter Q4 FY18 as well as the full year FY18. For the quarter our revenue at a consolidated level grew by 5%. Our profits de-grew by 6%. If for a moment you decompose the revenue between India and overseas, India de-grew by 4% while overseas grew by 10%. I hasten to add here that there was a translation loss on account of the rupee appreciation for the quarter which was about 3.6%. So, in other words if we therefore add back this translation loss to the overseas growth of 10% the actual growth should have been 13.6%. Likewise in India on account of the GST, there has been a revenue loss some of which has already got explained in the earlier period. The impact on account of this GST on revenue was minus 6.1%. So, in other words, if India de-growth for the quarter which was 4% we add back this revenue loss on account of GST of 6.1% it would have actually resulted in a growth of 2%. Similarly, when you look at the profit after tax and when you decompose that between India and overseas, India de-grew by 27% while overseas grew by 7%. And this is after taking a translation loss of 3.6%, so in effect the actual growth in overseas should have been 10.6%. Now, as we look at the overseas performance briefly, as all of you know, Turkey has been quite challenging for the whole year and more so in the last quarter. So, if you look at the performance of the company of the overseas chapter without Turkey, the growth would have been 11% on revenue and 7% on profit after tax. Of course, this is after taking into account the translation loss of 3.6%. Now, when you look at the businesses, on a consolidated level, IT vertical grew by 5%, Mobility de-grew by 1% and the Services business grew by 45%

Now, when you look at India in particular, IT business grew by 4% and allow me once more to give you the growth rate after adjusting for the GST impact. So, after adjusting for that the growth in IT should have been 11.1%. Likewise, Mobility de-grew in India by 34% and Services grew by 54%. In Overseas, IT grew by 6%, Mobility by 15% and Services grew by 30% all of which is after the translation loss of 3.6%. From a working capital point of view for the quarter, at a consolidated level we managed to contain it at 40 days there by having about 9 working capital turns. Overseas has once again managed to contain the working capital at 33 days as against India which is at 55 days. In India, the working capital increase was by 5 days which is essentially on account of the debtor days having gone up. What we observed particularly for the last quarter is that in the enterprise business, the credit period has become longer by at least 3 to 4 weeks, as compared to what it used to be. And this has resulted partly to the higher debtor days. Also, on the Mobility, there has been a delay in terms of payment to the extent of about two additional weeks compared to the normal.

So, in summary the increase in working capital in India by 5 days in Q4FY18 compared to Q4FY17 is largely and mainly attributed to the debtor days having gone up. Whereas, in overseas, the working capital which was 32 days in Q4FY17 is now for Q4FY18 at 33 days, pretty much at the same level. From an operating cash flow point of view, we have a negative cash flow of Rs. 306 crores and the free cash flow is negative at Rs. 357 crores. This is essentially on account of higher working capital particularly in India. Also I just want to mention that last year in Q4 of FY17 we had an exceptionally good working capital performance by overseas. While the performance in overseas in this quarter came very close, it was not good enough to generate positive free cash flow. Last but not the least, with regard to last quarter our Return on Capital Employed at a consolidated level was 17.6% and our Return on Equity was 17%.

Now, I switch gears to our full year 2018. Our revenue at a consolidated level grew by 6% and our profit after tax grew by 4%. And once again if we disaggregate this between India and overseas, India de-grew by 2% whilst overseas grew by 11%. Here again, if you adjust for GST, the India revenue growth would have been positive 2.5%. Likewise, if we adjust for the translation loss on account of the rupee appreciation, the overseas revenue growth which was 11% would have been 14.7%. From a profit after tax point of view, India de-grew by 10% for the full year while overseas grew by 16%. Now, as we look at the performance of overseas, Turkey for the full year was extremely challenging with the effective income tax rate at 90%. It was an extremely difficult period as some of you would know that the exchange rate which was somewhere stabilizing at about 3.75 Turkish Lira to the Dollar depreciated almost within a matter of few weeks to as much as 4.5 Turkish Lira to the Dollar and this had a telling effect on the performance.

So, without Turkey for a moment the overseas revenue growth for the full year would have been 13% and the profit after tax would have been 20%. However, with Turkey it is 11% and 16% respectively. Now, when we look at it by business, IT distribution business at a consolidated level grew by 3%, Mobility business grew by 8% and Services business grew by 23%. Now, when you look at India in particular, the IT business grew by 1% which in reality after adjusting for GST would have been about 6.4%, Mobility de-grew by 16% and after adjusting for GST it would have been a negative growth of 14% and services grew by 30% and after adjusting for GST would have grown by 31.5%. Overseas, the IT business grew by 4%, the Mobility grew by 21% and the Services business grew by 13% all of which is after a translation loss of about 3.7%.

Now, coming to the full year working capital, the working capital at a consolidated level increased by 2 days from 41 in FY17 to 43 days in FY18 wherein overseas managed to pretty much operate at the same level which is 34 for last year to 35 days in FY18. In India, the working capital went up by 4 days from 53 in FY17 to 57 days in FY18. Here again the main reason for this increase is attributed to the debtor days having gone up. As I already explained for the quarter, the same reason holds good which is our enterprise business saw a much higher increase in the credit period. This was also true for our Mobility business. For the full year we delivered a positive operating cash flow of Rs. 184 crores, Rs. 124 crores of which came from India and Rs. 60 crores was delivered by the overseas. From a free cash flow point of view it was negative at a consolidated level of Rs. 94 crores, Rs. 42 crores from India and Rs. 52 crores from overseas.

The debt equity position has been quite good and strong. So, the net debt was 0.24 at a consolidated level for the full year as against 0.23 for FY17, overseas was 0.09 and India was 0.57. From a Return on Capital Employed for the full year, the consolidated position was 15.5% and the Return on Equity was 14.5%. I also want to share with you the results particularly on ProConnect. For the quarter our revenue growth was 59% and our profit growth after tax was 33%. For the full year ProConnect grew by 74% on revenue and 33% on the profit after tax. As far as Ensure business is concerned, for the full year the revenue de-grew by 2% and the profit de-grew by 10%. Though for the quarter, the revenue grew by 15% and the profit after tax de-grew by 16%. This pretty much sums up for our quarter and the full year results.

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I also want to briefly touch upon how we see the outlook for FY19 we believe that we are going through a difficult period overall as far as the economy is concerned. For instance, the interest rates have started to really increase both in India as well as in the overseas. There has been quite a conspicuous increase already. We are also seeing that the rupee has started to seriously depreciate. I already touched upon what happened in Turkey particularly in the last one month. So, given all of this we believe that while FY19 the company will grow both revenue and profit better than what we did in FY18. But H1 may tend to be a little slower in terms of the growth but we certainly see a strong rebound in H2. I will pause at this stage and turn it over back to Pranav and to all of you in case you have any questions.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan: Just wanted to understand your thoughts on what specifically is happening in the India business? What is driving the increase in credit period? Is it higher competitive intensity or the slowness in growth? Typically you have seen improvement in growth followed by increase in interest rates but this time around we are actually seeing slow growth and interest rates moving up. So, does that mean that for us our PBT margins could be lower next year? So, that is the first part of the question actually.

Raj Shankar: See, one of the reasons why we are seeing the increase in debtor days is essentially on the enterprise where some of these larger projects whether it is Smart City or some of the other larger projects comes with the longer credit period than in the past. So, it takes time for some of these projects to be rolled out and generally there is an expectation that this would get supported by an additional 30 days of credit than the usual. It is not so much to do with our ability to make money. It is do with the fact that these transactions typically require a longer gestation period to implement the IT solution. And therefore, everyone is trying to request for a longer credit period to the extent possible and if we do not offer this additional credit period then sometimes they lose the opportunity itself. Therefore, we have been selective in which opportunities to engage and we do oblige because we want to definitely participate in these transactions. To your other question about the interest rate and the link to the profit, etc. we are not seeing any contractions as far as our margin is concerned. If at all there has been purely an aberration that has happened in one business more because the market operating price on account of the frequent change in the basic customs duty had an impact. Barring that which was more an aberration we are not seeing any contraction to the margin. To the point very specifically about the interest rate going up as you would know in our business we tend to factor this interest as a part of the pricing itself. So, wherever we are taking any new deals or engaging in new opportunities we make sure that the interest rate is passed on and we always buffer a little more than what the reality is. But on a side note as you very well know, for the whole of last year, our weighted average cost of debt capital was less than 7%. And therefore, even though the interest rates would rise we would certainly have a much more competitive interest rates because we look at various other instruments while raising capital. So, I can only give you this comfort that, yes interest rates will firm up. We have the ability especially in deals and in large projects to be able to factor this interest rate. So, this will not have any detrimental impact to the margin and hence to the profit.

Nitin Padmanabhan: Just one thing if I may crosscheck is, you mentioned this Smart City project and extended credit days but what is the credit days for those businesses that we are looking at now a days? And the second is, overall there has been a weakness and Smart City alone is not the only source of weakness. What else is driving the weakness in the overall spend?

Raj Shankar: So, let me paraphrase it differently. As I had mentioned to you the IT business has grown both in India and outside India. And I also want to clarify that we have grown both our value-added distribution business as well as our volume business. So, the business that actually de-grew was the Mobility business which is the point I was trying to make. So, imagine a situation where the basic customs duty for smart phones was increased from 0% to 10% in July of last year became 10% to 15% in December of last year and became 15% to 20% in February of last year. So, what really happened is at a given point in time all the distributors were saddled with inventories with different customs duty. So, this led to a complete mayhem in the market where there was different market operating price and therefore we decided consciously to slow down our business. But then no matter what we were, we had to inevitably go with the flow. And when, therefore customers paid late during this period we had to accept it and because the market operating prices had crashed we also had to go with it. So, this led to a sort of an impact on account of the Mobility business de-growing and hence the overall business de-growing marginally. Except for this, every other business whether it is the IT, value or volume whether it is the services did show growth.

Moderator: Thank you. The next question is from the line of Madhu Babu from Prabhudas Lilladher. Please go ahead.

Madhu Babu: Sir, the weakness in India Mobility, is it mainly to do with the iPhone traction remaining weak both for iPhone 8 and iPhone X?

Raj Shankar: So, basically as I mentioned to you the biggest challenge that we had in this last quarter was completely an aberration. Imagine at a given point in time you have three stocks in the market, one with 10%, one with 15% and one with 20%. So, depending upon who was carrying how much inventory of which particular customs duty they had unfair advantage or whatever and the others had to follow suit. So, this completely led to a mayhem situation in January, February and March. My request to you is not to over read too much into what happened last quarter. We, in fact are reasonably confident. We are starting to see some corrections happen in the market place already. While this quarter we are seeing these corrections to normalize by fag end of it, going forward from 1st July, you would see that this is something that should not play out.

Madhu Babu: So, we are seeing that H1 will be relatively soft. So, is it to do with the Mobility remaining weak or even IT you are seeing some patches of softness?

Raj Shankar: So, the reason I was just being a little cautious on H1 is particularly for the current quarter. Some of these things do take time to play out take for instance the GST impact. So, that continues to be a challenge even in this quarter and hopefully from next quarter which is July, August, September some of this should correct itself or should get normalized. So, therefore at the moment one wants to be cautious on that score. Likewise, when you look at the enterprise business, while we are growing, the fact remains that there is a longer credit period and it is impacting our working capital. So, we are trying to balance it in this year, particularly in India we want to make sure that we manage our working capital better. So, to that extent we may want to compromise a little bit on growth in order to get the hygiene in place. So, the whole idea was that we want to make sure that in Q1 we should be able to correct ourselves so that as we look at Q2 and beyond things should start to look much better.

Madhu Babu: Sir, could you give the breakup of the debt of Rs. 1,450 crores. What is the cost of debt in India & overseas?

Raj Shankar: So, as I mentioned to you in India it was a little shy of 7%. As far as outside India is concerned it is about 5%.

Madhu Babu: Is the overseas rate linked to LIBOR?

Raj Shankar: It is linked to LIBOR but in certain markets like Turkey we also borrow in Turkish Lira, where the interest rate is about 15% to 16%, so as to have a blend between both. So, the weighted average cost of debt capital for our overseas business is about 5%.

Madhu Babu: Sir and just one last question. In case of Turkey, this issue keeps coming up every 1.5-2 years. So, I understand it is a sizeable presence you have there. But can we look at selling that part of business because there is no hedge for that currency and we keep getting this risk again and again?

Raj Shankar: Now, just to share with you, the contribution of Turkey from revenue stand point of view is approximately about 7% to 8%. The contribution from our profits standpoint is approximately about 3%. So, honestly it does not have a serious material impact to the overall revenue and the profits of the company. So, if you remember I had mentioned to you that for the full year, if we take it as without Turkey, our growth would have been 13% on revenue and with Turkey, it was 11%. As far as profit is concerned it was 20% and 16%. So, I really do not want you to worry too much about this point. We have very clear plans on how we want to address this. But we also have to take into consideration that there is now a Presidential elections which was slated for 2019 which is now been preponed to June 24 of 2018. So, this quarter let that play out. We are hoping then that whomsoever ends up being the President for the next 5 years at least there is not going to be any more of these elections, etc. which can slow down this economy.

Moderator: Thank you. The next question is from the line of Vishal Desai from Axis Capital. Please go ahead.

Vishal Desai: I just wanted to understand a couple of things both on the India and the overseas space**,** while I understand that H1 is likely to be soft, what gives you the confidence that H2 would pick up and more so where do you see growth being driven by? Would you expect the enterprise momentum to revive in the India piece because I remember categorically in the last call you had mentioned that there are some green shoots emerging on the PSU side and some amount of correction, if I may, is likely to even happen on the Mobility piece where Apple did not see the kind of momentum which everyone was expecting? We also read reports that iPhone is doing well, iPhone X to be precise and iPhone 8 is going pretty well globally in the recent past. Would you be able to give us some color as to how you are seeing it?

Raj Shankar: So, before I get to FY19 and H1 and H2 and so on I just wanted to share some statistical information on the quarter gone by. In India the number of PCs sold for last quarter grew by 4% whereas Redington in India grew by 16%. Likewise, when you look at overseas the PC market grew by 6% Redington grew by 5%. So, the first submission I want to make is I repeat, IT business continues to be the core business and continues to see growth. Though it may have got slowed down but we are still seeing growth both in India as well as outside India. So, to your question we continue to see growth in IT and particularly on the enterprise side of the business. We see growth also on consumer though it is likely to be a single digit growth. Likewise the same is true for outside India as well, where we see growth opportunities both on the value-added distribution business as well as the volume business. As far as Mobility is concerned I would like to believe that our growth opportunity is very clearly there, because in terms of our portfolio we think that we would have a better portfolio in FY19 than we had before. And also, in the way FY18 panned out for us, I think it was some 2 very difficult quarters that we had and therefore I expect that in FY19 even if we have had a normal quarter, we should be doing much better than what happened in FY18. So, suffice it to say, IT in India both value and volume is clearly slated for a growth with a higher growth opportunity on the enterprise. As far as Mobility is concerned with our portfolio increase and very importantly with regard to how we expect even our current portfolio to play out will be much stronger and better in FY19 and more so in H2.

Vishal Desai: Just, if can dig a little bit deeper in terms of Apple I had asked also that while we were expecting some amount of cost correction to happen more so from the parent that is Apple itself. Have we seen any kind of improvement in our volumes or what is your commentary in terms of what has happened in this quarter and what we are seeing going forward as well?

Raj Shankar: So, as mentioned to you if you keep the January, February, March more as an aberration I can tell you there is certainly an improvement that we see in this quarter. But we are very hopeful of some of the changes that should happen in the near-term should have a positive effect for us. Overall, I can only tell you our outlook as far as Mobility business is concerned is positive as far as FY19 both from our topline and from a bottomline, very clearly.

Vishal Desai: Just one last book keeping question on the split of the business in terms of value versus volume on the IT side. Could you help us with that number please?

Raj Shankar: Yes, so approximately 56% is value, 44% is volume as far as India is concerned and overseas is 31% on value and 69% on volume.

Vishal Desai: Just one more thing, with this whole interest rates scenario rising, I take cognizance of the fact that you guys also buffer it that into your pricing with a little bit headroom as well. Is it fair to assume that margins could probably not see a big uptick or could be impacted more so due to these situations?

Raj Shankar: So, about 70% to 80% of our business on the value-added space is typically deals, projects and what we call as back-to-back deals where we would be able to a large extent factor the interest rate increase. But to the extent of 20%-30% which is more a stock and sell, is something that we would try and make up for it by uplifting the price because we are able to make immediate availability of that product and offer an immediate solution to the customer. So, in both instances we should be able to cover a good part of this increase in the interest rate.

Moderator: Thank you. The next question is from the line of Rabindra Nayak from Sunidhi Securities. Please go ahead.

Rabindra Nayak: Sir, with regard to ProConnect, what are the drivers available for growth in FY19 because if you understand FY18 was a good year due to the addition of Rajprotim business. So, what are the drivers you see in, for growth in the ProConnect in FY19? On account of the merger of Flipkart with Walmart, what are the challenges and opportunities do you see in ProConnect?

Raj Shankar: So, just to clarify, I do agree with you that we had a good positive effect on account of the inorganic opportunity. But even if for a minute you remove Rajprotim, the revenue growth would have been 35%. So, I just thought while, of course the growth of 74% comes on account of this acquisition even without that it could have been a 35% growth. And to also clarify on the bottomline, the growth would have been 21% which otherwise including this acquisition was 33%. So, that we are able to understand that even without this, there is a good strong growth momentum as far as the ProConnect business is concerned. Now, what we have done and quite successfully is to continuously look at different elements of logistics from what started off as a pure warehouse management services play. Today the warehouse management service would probably contribute roughly to between 45% and 50%. So, a good part of the business is now coming out of transportation as well as out of value-added services and we have also gotten into some high-premium services for certain niche products. So, there are lots of interesting aspects that we have built and capabilities that we have built. This is on one hand. On the other, we have also built a good capacity. So, imagine having about 6 million square feet of warehouse space and about 165 warehouses on a pan India basis. So, I think we have also built a good deep capacity plus we have today addressing a number of industry verticals and there are some which is showing a lot of traction. So, it is not confined to just IT, Telecom and E-commerce, but we are today addressing about 12 to 14 industry verticals and there are somewhere we are expecting to see much higher traction going forward. While organically, we think there is a high headroom for growth, we are also looking at how do we do some strategic investments as far as ProConnect is concerned which can help us to not only accelerate our growth but importantly help us to participate in different opportunities which today we are not fully participating. So, the net and sum is with or without the acquisition we made last year, ProConnect has grown by 35% and 21% both on the top and bottomline. Two, we are now participating not just in the warehouse management services and moving towards becoming an integrated logistics player focusing on IT and Telecom and E-commerce, but we are now moving rapidly into a number of other industry verticals and last but not the least we also have very clearly in our mind looking for certain strategic investments and opportunities which can help us to scale and accelerate the growth.

Rabindra Nayak: Regarding this Flipkart and Walmart, what are the challenges or opportunities for ProConnect?

Raj Shankar: At the moment we continue to be well engaged. We do not see, at least in the foreseeable future, any impact to our business. And plus, as I had mentioned to you when we have about 120 customers, we are very nicely spread out and there is no concentration risk with any one customer or with any one industry vertical. So, all that I can tell you is, in this 5-6 years, ProConnect has really built a very nice business and it has built a lot of good strong feet and you will see that this momentum of growth will continue.

Rabindra Nayak: What is your CAPEX plan for ProConnect for this year?

S V Krishnan: Yes, overall we think about Rs. 150 crores to Rs. 200 crores will be the CAPEX and we are also looking at another Rs. 150 crores for acquisition. So, this will be over the next 3 to 4 years period.

Moderator: Thank you. The next question is from the line of Hiten Jain from Invesco. Please go ahead.

Hiten Jain: When the GST was introduced we said that although we were ready but lot of our vendors were not ready with the systems and we were expecting that demand will come back in one or two quarters. Now, it seems 3 quarters just passed and still we are saying that the vendors are still having issues with GST. And I was just wondering you told the impact was 6% growth, I means 6% of the growth was lost due to GST. So, then how should we look at it since it is just a system change and taxation change? Vendors need to adapt to that for their normal run of business. So, how is it on ground, asso much of time has passed and still we are expecting 2 more quarters? And how did we calculate this number is it that those, I mean if you can just help me understand what are the challenges which we are, till now we are facing which are not getting ironed out?

Raj Shankar: Yes, I would like Krishnan to answer that. Over to you, Krishnan.

S. V. Krishnan: Yes, this growth, lower growth because of GST, it has got nothing to do with vendors' preparation. In the erstwhile taxation structure there was levy of excise duty, if it is a local purchase and levy of CVD, if it is an import purchase, which would get built as part of our costing. And there is a margin that we add and that becomes the sale. Now, this excise duty and CVD have all become GST which is a creditable amount. So, if earlier it was Rs. 100 plus Rs. 10, it is now Rs. 100. So, to that extent if you are adding another Rs. 5 to the margins it is Rs. 105 and not Rs.115 as in the erstwhile case. That difference is what is mentioned as 6.1%. So, it is basically the change in the taxation structure between the pre-GST and post-GST period.

Hiten Jain: So, is this a normal accounting thing?

S. V. Krishnan: Yes, it is the way it is published in the financials. See, again if I just need to refer to this example assume the vendor wants to bill it to us at Rs. 100 and earlier the excise duty was Rs. 10. It was Rs. 110 and our buying price will be Rs. 110 and when we add Rs. 5 as margins, our selling price will be Rs. 115. And there is a margin of Rs. 5. Now, he will be billing at Rs. 100 as Rs. 10 is now part of GST and hence my cost is Rs. 100 whereas my sales price is Rs. 105. That difference between Rs. 115 and Rs. 105 is the difference because of GST that we are talking about.

Hiten Jain: So, is it that when you say first half will be weak because all the parameters that we said such as Turkey going through that elections although a small proportion of our total profits, the mobile portfolio being much better and even enterprise IT sales is giving double digit, it is just because of this GST thing that it did not show up in the actual numbers. So, it is that only first half, so that means perhaps the base needs to be reset due to this GST. And there is no demand disruption, which is driving your comment saying that first half will be soft. Is it that?

Raj Shankar: Yes, I think you have understood it right.

Moderator: Thank you. The next question is from the line of Ashish Agarwal from Principal Mutual Fund. Please go ahead.

Ashish Agarwal: Sir, actually I have a question on the margins on the India side. With the GST at least our reported margin should have looked higher and also with the growth more coming on the IT side rather than Mobility, the margins should still have been higher. But we have not seen that in the India margins. What could be the reason for that?

S. V. Krishnan: See, again the margin is a function of the product mix where if there is a particular product line where we had multiple challenges not only GST that had an adverse impact in fact, in terms of the overall margin percentage. And second by GST margin percentage will improve it may not be technically correct because margin is not a fixed amount. The margin is a function of the expectation in the market place that will automatically get aligned. So, the drop in margins is because of the mix in product and some of the products not generating enough margins like before.

Ashish Agarwal: Sir, how should we look at margins then going forward?

Raj Shankar: So, our margins as far as the India business is concerned please leave aside FY18 more because there were lots of challenges whether it is on account of GST or many others. So, please treat this outside. What we have delivered prior to that which is FY17 is what you can take as a base. As we now continue to scale our ProConnect business as also some of our other services business just to share with you the overall services business used to contribute to about 3% of the India revenue and about 8% of the India profits. This year, that is in FY18 it contributes to more than 5% of the India revenue and contributing to close to 20% on the India profits. So, I think it is important to keep in mind therefore overtime, as we continue to scale the services business it will have a positive impact on the profits.

Moderator: Thank you. The next question is from the line of Rohit Dokania from IDFC Securities. Please go ahead.

Rohit Dokania: I just had a quick question. Can you talk about the tax rate that one should build in for FY19 and 2020?

S. V. Krishnan: Yes, you can safely take about 24% to 25%.

Moderator: Thank you. The next question is from the line of Alekh Dalal from One Thirty Capital. Please go ahead.

Alekh Dalal: Just could you give me the net income growth adjusted for this for GST and FX transaction on a consolidated basis for this quarter?

Raj Shankar: So, that is minus 2% for the quarter and for the full year the impact would have been approximately in the vicinity of about 7%.

Alekh Dalal: Can you give some color on these new business initiatives that you have talked about in terms of Solar and Medical devices and what progress is there?

Raj Shankar: So, the first is with regard to both the Health and Medical Equipment and Solar, the business grew about 65% to 70% on the topline but this is in spite of the fact that for a good 4 months if not more we were seriously impacted on account of this anti-dumping duty issue that came up for the panels. So, during this period the basic customs duty for solar panels were treated in par with the DC generators and this had a serious impact where the containers were just not getting cleared at the port. And we went through a very difficult period where the business pretty much came to a grinding halt. So however, this issue is now behind us. Finally, in April of this year the issue has been resolved. So, now we are good to go. So, we are extremely positive with regard to the outlook for our, for the solar business. As far as health and medical equipment is concerned the progress has been good because we have signed up contracts with a number of global vendors and it starting to show traction. So, we are on course as far as solar is concerned, as far as HME is concerned we are a little bit behind our plan but we hope that in the next 2-3 years we will make it up.

Alekh Dalal: And one last question. In terms of the under-utilization of the balance sheet, how are you thinking about accelerating that? Is there any plan for buybacks or high dividends or so on in the future or any new business line you wish to capitalize or acquisitions?

Raj Shankar: So, you hit a very interesting point. During our board meeting today we discussed various options. So, give us a little time and we will get back to you with some of the options that we are seriously evaluating not just one, multiple options. All that I can tell you is we are, while we are happy that our debt level is quite low and under control you are right, there is an opportunity for us to leverage that. So, wait for us to come back to you. Stay tuned.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to Mr. Pranav Kshatriya for closing comments.

Pranav Kshatriya: Thank you very much for participating on the call. I will hand over the call to Mr. Raj Shankar for his final remark. Thank you once again.

Raj Shankar: Thank you Pranav. So, just one more time we had a very difficult quarter, we had a very difficult FY18. We, in spite of that overall for the year we grew topline by 6% bottomline by 4% and this is after taking a translation loss of 3.7% on the overseas. This is in spite of the GST impact where there was a revenue loss of about 6.1%. The overseas did very well during this period where the growth as far as overseas was concerned was 11% and 16% on the top and bottomline. The working capital on the overseas continued to be managed well. We have taken working capital management in India at the very clear mandate for the current year. We are more than hopeful that the FY19 numbers in terms of revenue and PAT would be much better than FY18 though we would be off to a slow start in H1 as was clarified. Our debt levels continued to be enviably low and as mentioned towards the end of the call we do, we are contemplating various options on how to be deal with this. We have delivered operating cash flow for at a consolidated level though at a free cash flow it was negative Rs. 94 crores for the full year. Thanks to everyone who had participated on this call and good day and good bye.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Edelweiss Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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